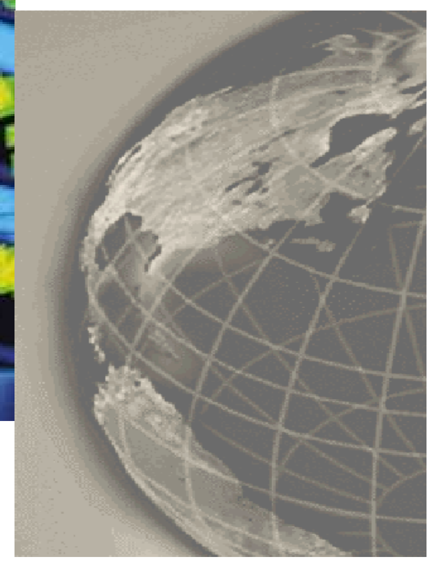
LEHMAN BROTHERS

Commodities Structured Solutions: 212 526 8515

# 1 Year Lehman Brothers Notes Linked to the Dow Jones – AIG Commodity Total Return Index℠

***Indicative Terms and Conditions Dated 23 June 2008***



LEHMAN BROTHERS

*Where vision gets built.*℠

# 1 Year Lehman Brothers Notes
# Linked to the Dow Jones – AIG Commodity Total Return Index℠

*Indicative term sheet for proposed note issuances are not final and are meant to serve as introductory summaries of a possible transaction but by no means describe every detail of the proposed note. The final pricing supplement (when completed) shall supplant this term sheet. A copy of the Offering Circular and final pricing supplement (when completed) may be obtained from your Lehman Brothers sales representatives.*

*Lehman Brothers Treasury Co. B.V. issues generally under the Lehman Brothers Holdings Inc., Lehman Brothers Treasury Co. B.V. and Lehman Brothers Bankhaus AG Euro Medium-Term Note Program (unconditionally and irrevocably guaranteed as to Notes issued by Lehman Brothers Treasury Co. B.V. and Lehman Brothers Bankhaus AG by Lehman Brothers Holdings Inc.) For further information, purchasers should refer to the Base Prospectus dated August 9, 2006, in respect of the Program, as amended or supplemented from time to time, including the documents incorporated by reference therein (collectively, the "Program Prospectus").*

| | |
|---|---|
| **Issuer:** | Lehman Brothers Treasury Co. B.V. |
| **Guarantor:** | Lehman Brothers Holdings Inc. (A/A1/A+)[1] |
| **Issue Type:** | 144A MTN |
| **Principal Amount:** | $34,300,000 |
| **Security Code(s):** | CUSIP: 52521X9AB |
| | ISIN: US52521X9AB4 |
| **Trade Date:** | **June 23, 2008** |
| **Issue Date:** | **June 30, 2008 (Trade Date + 5 Business Days)** |
| **Issue Price:** | 100% |
| **Maturity Date:** | **June 29, 2009 (Maturity Date + 3 BD)**, or if such date is not a Business Day, subject to adjustment in accordance with the Business Day Convention; *provided that*, if as a result of a Market Disruption Event the Valuation Date for one or more Index Contracts (as hereinafter defined) is postponed (as described below under "Market Disruption Events") so that it falls less than three Business Days prior to the scheduled Maturity Date, the Maturity Date will be the third Business Day following the latest occurring postponed Valuation Date |
| **Index:** | The Dow Jones-AIG Commodity Total Return Index℠ published by Dow Jones & Company, Inc. ("**Dow Jones**") and calculated by the Index Sponsors, subject to adjustment in accordance with Index Adjustment below. |
| **Index Sponsors:** | Dow Jones, AIG International, Inc. ("**AIGI**") and AIG Financial Products Corp. ("**AIG−FP**"). |
| **Valuation Date:** | The 5th scheduled Index Business Day prior to the Maturity Date; *provided* that if a Market Disruption Event is in effect for one or more Index Contracts (as hereinafter defined) on the scheduled Valuation Date, the Valuation Date may be postponed as described below under "Market Disruption Events". The Final Valuation Date shall be **June 24, 2009.** |
| **Index Value:** | For each Index Business Day, the closing value of the Index on that Index Business Day, as determined and published by the Index Sponsors (subject to the occurrence a |

[1] Lehman Brothers Holdings Inc. is rated A by Standard & Poor's, A1 by Moody's and A+ by Fitch. A credit rating reflects the creditworthiness of Lehman Brothers Holdings Inc. and is not a recommendation to buy, sell or hold securities, and it may be subject to revision or withdrawal at any time by the assigning rating organization. Each rating should be evaluated independently of any other rating.

Market Disruption Event or Index Unavailability Event), rounded to three decimal places.

**Initial Index Value:** 458.572, which is the Index Value on the Trade Date.

**Final Index Value:** The Index Value on the Valuation Date.

**Interest:** 1 Month LIBOR compounded on a monthly basis for each Interest Period calculated in accordance with the following formula:

$$\left[\left\{1+\left(R_1 * \frac{D_1}{360}\right)\right\} * \left\{1+\left(R_2 * \frac{D_2}{360}\right)\right\} * ...... * \left\{1+\left(R_n * \frac{D_n}{360}\right)\right\}\right] - 1$$

**Where:**

**$R_1$, $R_2$, … $R_n$**= 1 Month LIBOR– 0.27% for the relevant Interest Period

**$D_1$, $D_2$, … $D_n$ =** the actual number of days in the relevant Interest Period

**n** = the final Interest Period

**Interest Payment Date:** Accrued Interest shall be payable on the Maturity Date, subject to a Mandatory Early Redemption or an Optional Redemption.

**Interest Period:** Monthly from and including each Interest Reset Date (or the Issue Date, in the case of the first Interest Period) to but excluding the next succeeding Interest Reset Date (or the Maturity Date, Mandatory Early Redemption Date or the Optional Redemption Date in the case of the final Interest Period).

**1 Month LIBOR:** The rate for deposits in U.S. dollars for a period of 1 month which appears on Reuters Page LIBOR01 as of 11:00 a.m. London time on the relevant Interest Determination Date, determined two London Business Days prior to the related Interest Reset Date.

**Interest Reset Dates:** The Issue Date and monthly thereafter.

**Cash Settlement Amount:** A single U.S. dollar payment on the Maturity Date equal to the principal amount of the Notes multiplied by the Final Strategy Performance plus accrued Interest.

**Observation Period:** The period from and including the Issue Date to and including the Valuation Date.

**Final Strategy Performance:** The Strategy Performance as determined by the Calculation Agent on the Valuation Date

**Strategy Performance:** For any Index Business Day during the Observation Period, 100% plus the sum of:

Index Performance;

*Minus* T-Bill Return;

*Minus* Fee Percentage.

**Index Performance:** For any Index Business Day during the Observation Period,

$$\left(\frac{IndexValue}{InitialIndexValue} - 1\right)$$

**T-Bill Return:** For any Index Business Day during the Observation Period, the rate determined by the Calculation Agent by compounding daily from the Trade Date to that Index Business

Day the High Discount Rate in accordance with the following formula:

$$\prod_{Daily}\left[1-\left(HighDiscountRate * \frac{91}{360}\right)\right]^{-\frac{1}{91}} - 1$$

"High Discount Rate" means the 91-day weekly auction High Discount rate for U.S. Treasury Bills published on Bloomberg page USB3MTA (USB3MTA, <Index>, <GO>) at approximately 3:00 p.m., New York City time, on any calendar day during the Observation Period. If such rate is not published on any calendar day, then the last published High Discount rate shall be used for that day. If the High Discount Rate ceases to be published by Bloomberg, then the Calculation Agent shall select a replacement rate source provider in good faith and in a commercially reasonable manner.

| | |
|---|---|
| **Fee Percentage:** | As of any Index Business Day during the Observation Period, 0.20% multiplied by the number of calendar days from and including the Trade Date to but excluding the relevant Index Business Day, divided by 365, subject to a minimum of 0.10%. |
| **Mandatory Early Redemption:** | If on any Index Business Day during the Observation Period the Strategy Performance on such Index Business Day (for the avoidance of doubt, irrespective of whether any Index Unavailability Event is in effect on such Index Business Day or any of the Index Contracts is affected by a Market Disruption Event on such Index Business Day) is less than the Mandatory Early Redemption Barrier Level, a "**Mandatory Early Redemption Event**" will be deemed to have occurred on such Index Business Day and the Issuer will redeem the Notes in whole on the related Mandatory Early Redemption Date at the Mandatory Early Redemption Amount determined on the Mandatory Early Redemption Amount Determination Date. |
| **Mandatory Early Redemption Barrier Level:** | [85.0%] |
| **Mandatory Early Redemption Amount:** | The principal amount of the Notes multiplied by the Strategy Performance as determined by the Calculation Agent on the Mandatory Early Redemption Amount Determination Date plus accrued Interest that has accrued from the Issue Date to but excluding the Mandatory Early Redemption Date. |
| **Mandatory Early Redemption Amount Determination Date:** | The Index Business Day following the day on which the Mandatory Early Redemption Event was deemed to have occurred; *provided* that if a Market Disruption Event is in effect on a scheduled Mandatory Early Redemption Amount Determination Date, the Mandatory Early Redemption Amount Determination Date may be postponed as described below under "Market Disruption Events" |
| **Mandatory Early Redemption Date:** | The fifth Business Day following the Index Business Day on which the Mandatory Early Redemption Event was deemed to have occurred; *provided* that if the Mandatory Early Redemption Amount Determination Date is postponed due to the occurrence of a Market Disruption Event, the Mandatory Redemption Date shall be postponed to the fifth Business Day following the postponed Mandatory Early Redemption Amount Determination Date. |
| **Optional Redemption:** | The noteholder may by written notice to the Issuer on any Index Business Day during the Observation Period require the Issuer to redeem the Notes in whole on the related Optional Redemption Date at the relevant Optional Redemption Amount. Notice shall be deemed to be provided on the Index Business Day on which it is received by the Issuer, provided that if notice is received after 10:00 a.m. New York Time on such Index Business Day, such notice shall be deemed to have been provided on the immediately following Index Business Day (the day on which notice is deemed to be provided, the "**Notice Date**"). |
| **Optional Redemption Amount** | The Notice Date; *provided* that if a Market Disruption Event is in effect on a |

**Determination Date:** scheduled Optional Redemption Amount Determination Date, the Optional Redemption Amount Determination Date may be postponed as described below under “Market Disruption Events”

**Optional Redemption Date:** The fifth Business Day following the Optional Redemption Amount Determination Date; provided that if the Optional Redemption Amount Determination Date is postponed due to the occurrence of a Market Disruption Event, the Optional Redemption Date shall be postponed to the fifth Business Day following the postponed Optional Redemption Amount Determination Date.

**Optional Redemption Amount:** The principal amount of the Notes multiplied by the Strategy Performance as determined by the Calculation Agent on the Optional Redemption Amount Determination Date plus accrued Interest that has accrued from the Issue Date to but excluding the Optional Redemption Date.

**Market Disruption Event:** If a Market Disruption Event relating to or one or more Index Contracts is in effect on the scheduled Valuation Date, Optional Redemption Amount Determination Date, or any Mandatory Early Redemption Amount Determination Date, the Calculation Agent will calculate the Index Value for such day in good faith in accordance with the formula for and method of calculating the Index last in effect prior to commencement of the Market Disruption Event, using:

- for each index contract that **did not** suffer a Market Disruption Event on the scheduled Valuation Date, Optional Redemption Amount Determination Date, or Mandatory Early Redemption Amount Determination Date, the settlement price on the applicable Relevant Exchange of such Index Contract on the scheduled Valuation Date, Optional Redemption Amount Determination Date, or Mandatory Early Redemption Amount Determination Date, and

- for each index contract that **did** suffer a Market Disruption Event on the scheduled Valuation Date, Optional Redemption Amount Determination Date, or Mandatory Early Redemption Amount Determination Date, the settlement price of such Index Contract on the applicable Relevant Exchange on the immediately succeeding trading day on which no Market Disruption Event occurs or is continuing with respect to such Index Contract (which trading day shall be deemed the Valuation Date, Optional Redemption Amount Determination Date, or Mandatory Early Redemption Amount Determination Date for such Index Contract);

*provided* however that if a Market Disruption Event has occurred or is continuing with respect to such Index Contract on each of the five scheduled trading days following the scheduled Valuation Date, Optional Redemption Amount Determination Date, or Mandatory Early Redemption Amount Determination Date, then (a) the fifth scheduled trading day shall be deemed the Valuation Date, Optional Redemption Amount Determination Date, or Mandatory Early Redemption Amount Determination Date for such Index Contract and (b) the Calculation Agent will determine the price for such Index Contract on such fifth scheduled trading day in its sole and absolute discretion taking into account the latest available quotation for the settlement price of such Index Contract and any other information that in good faith it deems relevant.

A “Market Disruption Event” means any of the following events, as determined in good faith by the Calculation Agent:

(A) the termination or suspension of, or material limitation or disruption in the trading on a Relevant Exchange of an index contract;

(B) the settlement price on a Relevant Exchange of an index contract has increased or decreased by an amount equal to the maximum permitted price change from the previous day’s settlement price; or

(C) the settlement price of an index contract is not published by the

Relevant Exchange.

Notwithstanding the foregoing, the following events will not constitute Market Disruption Events:

(1) a limitation on the hours in a trading day and/or number of days of trading, if it results from an announced change in the regular business hours of the Relevant Exchange; or

(2) a decision to permanently discontinue trading in an index contract or options or futures contracts relating to the Index or any Index Commodity.

For purposes of the above, (a) "**Index Contracts**" means the commodities contracts then underlying the Index or any Successor Index; (b) "**Relevant Exchange**" means any organized exchange or market of trading for any Index Contract; and (c) "**trading day**" mean a day, as determined in good faith by the Calculation Agent, on which trading is generally conducted on the Relevant Exchange applicable to the affected Index Contract.

**Index Unavailability Event:**

If an Index Unavailability Event is in effect on the scheduled Valuation Date, Optional Redemption Amount Determination Date, or any Mandatory Early Redemption Amount Determination Date (and no Disruption Event is then in effect), the Calculation Agent will determine the Final Index Value on the Valuation Date, Optional Redemption Amount Determination Date, or Mandatory Early Redemption Amount Determination Date, as the case may be, in good faith in accordance with the formula for and method of calculating the Index in effect on the Valuation Date, Optional Redemption Amount Determination Date, or Mandatory Early Redemption Amount Determination Date using the closing price on the Relevant Exchanges of each Index Contract.

An "**Index Unavailability Event**" means that the Index is not calculated by the Index Sponsors and published by Dow Jones or any Successor Index is not calculated and published by the sponsors thereof.

**Index Adjustment:**

If Dow Jones discontinues publication of the Index and Dow Jones or another entity publishes a successor or substitute index that the Calculation Agent determines, in its sole discretion, to be comparable to the discontinued Index (such index, a "**Successor Index**"), then the Final Index Value will be determined by reference to the level of such Successor Index at the close of trading on the Relevant Exchange or market of the Successor Index last to close on the Valuation Date. Upon any selection by the Calculation Agent of a Successor Index, the Calculation agent will cause written notice thereof to be promptly furnished to the trustee, to the Issuer and to the holders of the Notes.

If Dow Jones discontinues publication of the Index prior to, and such discontinuation is continuing on, the Valuation Date, and the Calculation Agent determines, in its sole discretion, that no Successor Index is available at such time, then the Calculation Agent will (subject as set forth below) determine the Final Index Value on the Valuation Date. The Final Index Value will be computed by the Calculation Agent in accordance with the formula for and method of calculating the Index last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant futures contracts has been materially suspended or materially limited, its good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on the Valuation Date of each futures contract most recently constituting the Index. Notwithstanding the foregoing, the Calculation Agent shall in no circumstances be required to determine the level of the Index on a continuous basis if, in the opinion of the Calculation Agent, to do so would be unduly burdensome or would cause the Calculation Agent to incur any cost that it would not otherwise incur. If, on any Index Business Day following any date on which the Index Sponsor no longer calculates and announces the Index as aforesaid, the Calculation Agent informs the Issuer that (i) having used reasonable endeavours,

the Calculation Agent is unable to continue to determine the level of the Index, or (ii) in the opinion of the Calculation Agent continuing to determine the level of the Index would be unduly burdensome or would cause the Calculation Agent to incur a cost that it would not otherwise incur, the Issuer may, on the Index Business Day next following the date on which the Calculation Agent gave notice to the Issuer, give notice to the Noteholders that the Issuer will redeem the Notes. In such event the Issuer shall redeem all of the Notes on the fifth Business Day following the date on which the Issuer gave notice to the Noteholders (which such day shall be the Mandatory Early Redemption Amount Determination Date with respect to such redemption) at the Mandatory Early Redemption Amount determined as of that Mandatory Early Redemption Amount Determination Date.

If at any time the method of calculating the Index or a Successor Index, or the level thereof, is changed in a material respect, or if the Index or a Successor Index is in any other way modified so that the Index or such Successor Index does not, in the opinion of the Calculation Agent, fairly represent the level of the Index or such Successor Index had such changes or modifications not been made, then, from and after such time, the Calculation Agent will, at the close of business in New York City on the Valuation Date, make such calculations and adjustments as, in the good faith judgment of the Calculation Agent, may be necessary in order to arrive at a level of a commodity index comparable to the Index or such Successor Index, as the case may be, as if such changes or modifications had not been made, and the Calculation Agent will calculate the Final Index Value with reference to the Index or such Successor Index, as adjusted.

In the event that the official closing level of the Index published or announced on any given Index Business Day and used by the Calculation Agent to determine the Index Performance on any such date is subsequently corrected and the correction is published or announced by the Index Sponsor within 30 calendar days of the original publication or announcement, but not later than 10 calendar days after publication or announcement of the correction or, if earlier, the date 3 Business Days prior to the date for payment of the relevant amount calculated by reference to the Index Performance as so determined, the Calculation Agent shall make such adjustment to such payable amount as it shall determine to be appropriate to take account of such correction.

**Index Business Days:** A day, as determined in good faith by the Calculation Agent, on which trading is generally conducted on the Relevant Exchange for each Index Contract then comprising the Index or any Successor Index.

**Business Days:** New York and London

**Business Day Convention:** Modified Following, Adjusted

**Day Count:** 30/360

**London Banking Day:** Any day on which dealings in U.S. dollars are transacted in the London interbank market.

**Underwriter:** Lehman Brothers Inc.

**Calculation Agent:** Lehman Brothers Inc., the determinations and calculations of which will be binding in absence of manifest error

**Denominations:** $100,000 and integral multiples of $100,000

**Listing:** None

**Selling Restrictions** As per EMTN programme.

**US Selling Restrictions**. The Notes have not been and will not be registered under the Securities Act of 1933, as amended. The Notes are being offered and sold only to

purchasers who are "qualified institutional buyers" within the meaning of and in accordance with Rule 144A under the Securities Act. The Notes may not be re-offered, re- sold or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act.

**General Selling Restrictions.** Each purchaser of Notes must observe all applicable laws and regulations in any jurisdiction in which it may offer, sell, or deliver the Notes and it may not, directly or indirectly, offer, sell, resell, reoffer or deliver any Notes except under circumstances that will result, to the best of its knowledge and belief, in compliance with all applicable laws and regulations

## RISK FACTORS

**You should carefully consider the following information in conjunction with other information contained in this term sheet, the Final Terms for the Notes (when completed) and in the Program Prospectus, including the section entitled "Risk Factors" beginning on page 11 of the Program Prospectus, before purchasing the Notes.**

**This term sheet cannot disclose all of the risks and other significant aspects of the Notes and investment decisions should not be made solely on the basis of these risk factors since the information contained herein cannot serve as a substitute for independent individual advice which is tailored to your requirements, investment objectives, experience, knowledge and circumstances.**

**You should consider carefully whether the Notes are suitable for you in the light of your circumstances and financial position and in view of the complexity and risks inherent in the Notes. You should be experienced with respect to derivatives, particularly options and options transactions. Furthermore, you should understand the risks of transactions involving the Notes and should reach an investment decision only after careful consideration of the suitability of the Notes in light of your particular financial circumstances and after consultation with your own legal, tax, accountancy and other professional advisers. You should not deal in the Notes unless you understand fully the nature of the relevant transaction. Such transaction is suitable only for, and should be made only by, an investor who has no need for liquidity and understands and can afford the financial and other risks of this transaction.**

*The Cash Settlement Amount is variable and may even be zero*

You should be familiar with investments in the global capital markets and with derivatives and the Index generally. The value of the Notes can be volatile. Changes in the level of the Index may result in sudden and large fluctuations in the value of the Notes. The level of the Index may vary over time and may increase or decrease by reference to a variety of factors, which may include, but are not limited to, corporate actions and macro economic factors.

The Cash Settlement Amount is variable and equals the principal amount multiplied by the Strategy Performance on the relevant Valuation Date plus accrued Interest. You should understand that in certain circumstances the Cash Settlement Amount will be less than 100% and may even be zero.

*Even if the value of the Index at the Maturity Date or upon early redemption exceeds the value of the Index on the Trade Date, you may receive less than the principal amount of your Notes*

Because the formula for calculating your return at maturity or upon redemption subtracts from the Index performance measure the returns you would have received on implied cash collateral if it was invested in U.S. Treasury Bills as well as certain fixed amount for each calendar day, such subtractions will reduce the amount of your return at maturity or upon early redemption. Therefore, the value of the Index must increase significantly in order for you to receive at least the principal amount of your investment at maturity or upon early redemption of your Notes. If, after taking into account the accrued Interest payable at maturity, the value of the Index decreases or does not increase sufficiently to offset these subtractions, you will receive less than the principal amount of your investment at maturity or upon early redemption of your Notes.

*You will not benefit from any increase in the value of the Index if such increase is not reflected in the value of the Index on the Valuation Date*

Changes in the Index during the term of the Notes before the Valuation Date will not be reflected in the determination of the amount payable at maturity. If, after taking into account the accrued Interest payable at maturity, the Index does not increase by an amount sufficient to offset the subtractions described above between the Trade Date and the Valuation Date, we will pay you less than the principal amount of your Notes at maturity or upon redemption. This will be true even if the value of the Index as of some date or dates prior to the Valuation Date would have been sufficiently high to offset the subtractions described above.

*The market value of the Notes may be influenced by many unpredictable factors, including volatile commodities prices*

The market value of your Notes may fluctuate between the date you purchase them and the Valuation Date. You may also sustain a significant loss if you sell the Notes in the secondary market. Various factors, many of which are beyond our control, will influence the market value of the Notes. We expect that generally the value of the Index Contracts and the Index will affect the market value of the Notes more than any other factor. Other factors that may influence the market value of the Notes include:

- the time remaining to the maturity of the Notes;
- economic, financial, political, regulatory, geographical, biological, or judicial events that affect the level of the Index or the market price of the Index Contracts or the commodities underlying the Index Contracts; or

- the creditworthiness of the Issuer and the Guarantor.

These factors interrelate in complex ways, and the effect of one factor on the market value of your Notes may offset or enhance the effect of another factor.

*Suspension or disruptions of market trading in commodities and related futures may adversely affect the value of your Notes*

The commodity futures markets are subject to temporary distortions or other disruptions due to various factors, including the lack of liquidity in the markets, congestion, disorderly markets, limitations on deliverable supplies, the participation of speculators and government regulation and intervention. In addition, U.S. futures exchanges and some foreign exchanges have regulations that limit the amount of fluctuation in futures contract prices which may occur during a single business day. These limits are generally referred to as "daily price fluctuation limits" and the maximum or minimum price of a contract on any given day as a result of these limits is referred to as a "limit price". Once the limit price has been reached in a particular contract, no trades may be made at a different price. Limit prices may have the effect of precluding trading in a particular Index Contract or forcing the liquidation of Index Contracts at disadvantageous times or prices. These circumstances could adversely affect the value of the Index and, therefore, the value of your Notes.

*Higher future prices of the Index Contracts relative to their current prices may decrease the amount payable at maturity or upon redemption*

Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts, including the Index Contracts, normally specify a certain date for delivery of the underlying physical commodity. As the Index Contracts approach expiration, they are replaced by contracts that have a later expiration. Thus, for example, a contract purchased and held in August may specify an October expiration. As time passes, the contract expiring in October is replaced by a contract for delivery in November. This process is referred to as "rolling". If the market for these contracts is in "backwardation", which means that the prices are lower in the distant delivery months than in the nearer delivery months, the sale of the October contract would take place at a price that is higher than the price of the November contract, thereby creating a "roll yield". This means that the value of the Index could increase, and therefore, your payment at maturity or upon early redemption could increase. While many of the Index Contracts have historically exhibited consistent periods of backwardation, backwardation will most likely not exist at all times. Moreover, certain of the commodities represented by Index Contracts, such as gold, have historically traded in "contango" markets. Contango markets are those in which the prices of contracts are higher in the distant delivery months than in the nearer delivery months. The absence of backwardation or the presence of contango in the commodity markets could result in negative "roll yields", which could adversely affect the value of the Index and, accordingly, decrease the payment you receive at maturity or upon redemption.

*Historical values of the Index or any Index Contract should not be taken as an indication of the future performance of the Index during the term of the Notes*

The actual performance of the Index or any Index Contract over the term of the Notes may bear little relation to the historical values of the Index or the Index Contracts, which have been highly volatile. Fluctuations in the performance of the Index make the amount payable at maturity or upon redemption difficult to predict.

*Commodity prices may change unpredictably, affecting the value of the Index and the value of your Notes in unforeseeable ways*

Trading in the Index Contracts, and the commodities underlying the Index Contracts, is speculative and can be extremely volatile. Market prices of the Index Contracts or the commodities underlying the Index Contracts may fluctuate rapidly based on numerous factors, including: changes in supply and demand relationships; weather; agriculture; trade; fiscal, monetary, and exchange control programs; domestic and foreign political and economic events and policies; disease; pestilence; technological developments and changes in interest rates. These factors may affect the value of the Index and the value of your Notes in varying ways, and different factors may cause the prices of the Index Contracts, and the volatilities of their prices, to move in inconsistent directions at inconsistent rates.

*The Notes may not trade in a liquid market and the Issue Price may not be an accurate reflection of the market value of the Notes on the Issue Date.*

There can be no assurance as to how any Notes will trade in the secondary market, whether there will be a secondary market or, if a secondary market exists, whether such market will be sustainable or liquid or illiquid. The Notes will not be listed or traded on any stock exchange and, as a result, pricing information for the Notes may be more difficult to obtain, and the liquidity and market prices of the Notes may be adversely affected.

The liquidity of the Notes may also be affected by restrictions, if any, on offers and sales of the Notes in some jurisdictions. In any case, due to the relative complexity and lower liquidity of the Notes if compared to more conventional financial instruments such as shares, comparatively larger spreads between bid and ask quotes should be expected.

In addition, the Issue Price in respect of the Notes may not be an accurate reflection of the market value of such Notes as at the Issue Date. The price at which the Notes may be sold in secondary market transactions may be lower than the Issue Price. In particular, the Issue Price in respect of the Notes may take into account the distribution fee payable to any appointed distributor of the Notes with respect to the offer and sale of the Notes.

*Changes in the Issuer's and the Guarantor's credit ratings may affect the market value of your securities*

The credit ratings of the Issuer and the Guarantor are an assessment of their ability to pay their obligations, including those on the Notes and the Guarantee. Consequently, actual or anticipated changes in the credit ratings of the Issuer and the Guarantor may affect the market value of your Notes. However, because the return on your Notes is dependent upon certain factors in addition to the ability of the Issuer and to pay its obligations on your Notes and the ability of the Guarantor to guarantee such obligations of the Issuer, an improvement in the credit ratings of the Issuer and the Guarantor will not reduce the other investment risks related to your Notes.

Any person who purchases the Notes is relying upon the creditworthiness of the Issuer and the Guarantor and has no rights against any other person. The Notes constitute general, unsecured, unsubordinated, contractual obligations of the Issuer and of no other person. The Notes rank *pari passu* among themselves.

*You will not have rights in the Index Contracts*

As an owner of the Notes, you will not have rights that investors in the Index Contracts may have. Your Notes will be paid in cash, and you will have no right to receive delivery of any Index Contracts or commodities underlying the Index Contracts.

*Trading and other transactions by the affiliates of the Issuer and the Guarantor in instruments linked to the Index or Index Contracts may impair the market value of the Notes*

One or more of the affiliates of the Issuer and the Guarantor may hedge the obligations of the Issuer under the Notes by purchasing Index Contracts (including the underlying physical commodities), futures or options on Index Contracts or the Index, or other derivative instruments with returns linked to the performance of Index Contracts or the Index, and they may adjust these hedges by, among other things, purchasing or selling any of the foregoing. Although they are not expected to, any of these hedging activities may adversely affect the market price of Index Contracts and the value of the Index and, therefore, the market value of the Notes. It is possible that one or more of the affiliates of the Issuer and the Guarantor could receive substantial returns from these hedging activities while the market value of the Notes declines.

*The trading activities of the Issuer and the Guarantor may create a conflict of interest*

One or more of the affiliates of the Issuer and the Guarantor may also engage in trading in Index Contracts, futures or options on Index Contracts, the physical commodities underlying the Index Contracts or the Index, and other investments relating to Index Contracts or the Index on a regular basis as part of their general broker-dealer and other businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for customers. Any of these activities could adversely affect the market price of the Index Contracts or the value of the Index and, therefore, the market value of the Notes. The Issuer, the Guarantor or one or more of their affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to changes in the performance of any of the foregoing. By introducing competing products into the marketplace in this manner, the Issuer or the Guarantor or one or more of their affiliates could adversely affect the market value of the Notes.

In addition, the Issuer, the Guarantor, the Calculation Agent and/or their respective subsidiaries may, from time to time, act in other capacities with regard to the Notes (such as in an agency capacity and/or as the calculation agent) and may issue or participate in the issue of other competing financial instruments in respect of the Index or Index Contracts and the introduction of such competing financial instruments may affect the value of the Notes.

Such transactions could present certain conflicts of interest with the interest of holders of Notes and may affect the value of the Notes. The Issuer, the Guarantor, the Calculation Agent and/or their respective subsidiaries owe no duty or responsibility to any holder of a Note (or any other party) to avoid such conflicts.

*There are potential conflicts of interest between the Calculation Agent and you*

Lehman Brothers Inc. will serve as the Calculation Agent. The Calculation Agent has certain discretions to determine whether certain events have occurred. You should be aware that any determination made by the Calculation Agent may have an adverse effect on the value of the Notes. For example, the Calculation Agent may determine that a Market Disruption Event has occurred or exists at a relevant time which may affect the determination of the level of the Index on a relevant Index Business Day and/or may delay settlement in respect of the Notes. Any such discretion exercised by, or any calculation made by, the Calculation Agent (in the absence of manifest error) shall be binding. Since these determinations by the Calculation Agent may affect the fair market value of the Notes, the Calculation Agent may have a conflict of interest if it needs to make any such decision.

*In the event of an early redemption, holders of Notes may receive less than the Issue Price of the Notes*

In the event of an early redemption for taxation reasons or in an event of default (as described in Item 23 of the Terms and Conditions of the Notes) as determined by the Calculation Agent, the Issuer may cancel the Notes and, if permitted by applicable law, pay the holder of each Note the Early Mandatory Redemption Amount. The amount payable will be calculated by reference to the fair market value of the Notes as determined by the Calculation Agent in its sole and absolute discretion and may be reduced by an amount referable to the cost to the Issuer of unwinding any related hedging arrangements as determined by the Calculation Agent. You should understand that such Early Mandatory Redemption Amount may be less than the Issue Price of the Notes or the amount you have paid for the Notes and may even be nil.

*The Issuer and the Guarantor and their affiliates have no affiliation with AIGI, AIG-FP or Dow Jones and are not responsible for their public disclosure of information, which may change over time*

The Issuer and the Guarantor and their affiliates are not affiliated with AIGI, AIG-FP or Dow Jones in any way and have no ability to control or predict their actions, including any errors in, or discontinuation of disclosure regarding their methods or policies relating to the calculation of, the Index. AIGI, AIG-FP and Dow Jones are not under any obligation to continue to calculate the Index or required to calculate any successor index. If AIGI, AIG-FP and Dow Jones discontinue or suspend the calculation of the Index, it may become difficult to determine the market value of the Notes or the amount payable at maturity or upon redemption. If the Calculation Agent determines that no successor index comparable to the Index exists and that it is either unable to continue to determine the level of the Index, or it would be unduly burdensome to it to determine the level of the Index or would cause it to incur additional cost that it would not otherwise incur, the Notes will be subject to early redemption at the option of the Issuer and the amount you receive at maturity or upon redemption will be determined by the Calculation Agent.

All disclosure herein regarding the Index, including its make-up, method of calculation and changes in its components, is derived from publicly available information. The Issuer and the Guarantor have not independently verified this information. You, as an investor in the Notes, should make your own investigation into the Index, AIGI, AIG-FP and Dow Jones. AIGI, AIG-FP and Dow Jones are not involved in the offer of the Notes in any way and have no obligation to consider your interests as a holder of the Notes.

*The policies of AIGI, AIG-FP and Dow Jones and changes that affect the valuation of the Index or the Index Contracts could affect the amount payable on your Notes and their market value*

The policies of AIGI, AIG-FP and Dow Jones concerning the calculation of the level of the Index, additions, deletions or substitutions of Index Contracts and the manner in which changes affecting the Index Contracts are reflected in the Index could affect the value of the Index and, therefore, the amount payable on your Notes at maturity or upon redemption and the market value of your Notes prior to maturity. The amount payable on your Notes at maturity or upon early redemption and their market value prior to maturity could also be affected if AIGI, AIG-FP and Dow Jones change the policies of the Index, for example by changing the manner in which they calculate the value of the Index or if it discontinues or suspends calculation or publication of the Index, in which case it may become difficult to determine the market value of the Notes. If events such as these occur, or if the value of the Index is not available or cannot be calculated because of a Market Disruption Event or for any other reason, the Calculation Agent may be required to make an alternative determination of the value of the Index.

In addition, additional commodity futures contracts may satisfy the eligibility criteria for inclusion on the Index and commodity futures contracts currently included in the Index may fail to satisfy such criteria. The weighting factors applied to each included futures contract may change annually, based on changes in commodity production and volume statistics. Moreover, AIGI, AIG-FP and Dow Jones may modify the methodology for determining the composition and weighting of the Index, for calculating its value in order to assure that the Index represents an adequate measure of market performance or for other reasons, or for calculating the value of the Index. Any such changes could adversely affect the value of your Notes.

*Because the Global Notes are held by or on behalf of DTC, you will have to rely on DTC's procedures for transfer, payment and communication with the Issuer.*

The Notes will be represented by one or more Global Notes. Such Global Notes will be deposited with a custodian for DTC. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. DTC will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through DTC.

While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to the Fiscal Agent for distribution to participants in DTC holding an interest in the Global Note. A holder of a beneficial interest in a Global Note must rely on the procedures of DTC to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by DTC to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the Notes but will have to rely upon their rights under the deed of covenant dated 26 August 2005 (as amended, supplemented or replaced from time to time), executed by Lehman Brothers Holdings Inc., Lehman Brothers Treasury Co. B.V. and Lehman Brothers Bankhaus AG.

# THE DOW JONES-AIG COMMODITY INDEX[SM]

Lehman Brothers Holdings Inc. has derived all information contained herein regarding the Dow Jones-AIG Commodity Index[SM], including, without limitation, its make-up, method of calculation and changes in its components from (i) publicly available sources and (ii) a summary of the Dow Jones-AIG Commodity Index[SM] Handbook (a document that is considered proprietary to Dow Jones & Company, Inc. ("Dow Jones") and AIG Financial Products ("AIG-FP") and is available to those persons who enter into a license agreement). Such information reflects the policies of, and is subject to change by, Dow Jones and AIG-FP. We have not independently verified this information. You, as an investor in the Notes, should make your own investigation into the Index, AIG-FP and Dow Jones. Dow Jones and AIG-FP are not involved in the offer of the Notes in any way and have no obligation to consider your interests as a holder of the Notes. Dow Jones and AIG-FP have no obligation to continue to publish the Index, and may discontinue publication of the Index at any time in their sole discretion.

## Overview

The Index is a proprietary index that Dow Jones and AIG-FP developed and that Dow Jones, in conjunction with AIG-FP, calculates. The Index was introduced in July of 1998 to provide unique, diversified, economically rational and liquid benchmarks for commodities as an asset class. The Index currently is composed of the prices of nineteen exchange-traded futures contracts on physical commodities. A futures contract is a bilateral agreement providing for the purchase and sale of a specified type and quantity of a commodity or financial instrument during a stated delivery month for a fixed price. For a general description of the commodity future markets, please see "The Commodity Futures Markets." The commodities included in the Index for 2008 are as follows: aluminum, coffee, copper, corn, cotton, crude oil, gold, heating oil, lean hogs, live cattle, natural gas, nickel, silver, soybean oil, soybeans, sugar, unleaded gasoline, wheat and zinc. Futures contracts and options on futures contracts on the Index are currently listed for trading on the Chicago Board of Trade ("CBOT").

The Index tracks what is known as a rolling futures position, which is a position where, on a periodic basis, futures contracts on physical commodities specifying delivery on a nearby date must be sold and futures contracts on physical commodities that have not yet reached the delivery period must be purchased. An investor with a rolling futures position is able to avoid delivering underlying physical commodities while maintaining exposure to those commodities. The rollover for each Index Component occurs over a period of five DJ-AIG Business Days each month according to a pre-determined schedule.

The methodology for determining the composition and weighting of the Index and for calculating its value is subject to modification by Dow Jones and AIG-FP at any time. As of the date hereof, Dow Jones disseminates the Index level approximately every fifteen (15) seconds (assuming the Index level has changed within such fifteen-second interval) from 8:00 a.m. to 3:00 p.m. (New York time) and publishes the final Index level for each DJ-AIG Business Day (as defined below) at approximately 4:00 p.m. (New York time) on each such day on on Bloomberg page DJAIG. Index levels can also be obtained from the official websites of both Dow Jones and AIG-FP and are also published in *The Wall Street Journal*.

A "DJ-AIG Business Day" is a day on which the sum of the Commodity Index Percentages (as defined below in "Annual Reweightings and Rebalancings of the Dow Jones-AIG Commodity Index[SM]") for the Index Commodities that are open for trading is greater than 50%. For example, based on the weighting of the Index Commodities for 2008, if the CBOT and the New York Mercantile Exchange ("NYMEX") are closed for trading on the same day, a DJ-AIG Business Day will not exist.

AIG-FP and its affiliates actively trade futures contracts and options on futures contracts on the commodities that underlie the Index, as well as commodities, including commodities included in the Index. For information about how this trading may affect the value of the Index, see "Risk Factors — Trading and other transactions by AIG-FP, Dow Jones or affiliates of Lehman Brothers Holdings Inc. in the futures contracts composing the Index and the Index Commodities may affect the level of the Index".

## Four Main Principles Guiding the Creation of the Dow Jones-AIG Commodity Index[SM]

The Index was created using the following four main principles:

- *Economic Significance*. A commodity index should fairly represent the importance of a diversified group of commodities to the world economy. To achieve a fair representation, the Index uses both liquidity data and dollar-weighted production data in determining the relative quantities of included commodities. The Index primarily relies on liquidity data, or the relative amount of trading activity of a particular commodity, as an important indicator of the value placed on that commodity by financial and physical market participants. The Index also relies on production data as a useful measure of the importance of a commodity to the world economy. Production data alone, however, may underestimate the economic significance of storable commodities (*e.g.*, gold) relative to non-storable

commodities (*e.g.*, live cattle). Production data alone also may underestimate the investment value that financial market participants place on certain commodities, and/or the amount of commercial activity that is centered around various commodities. Additionally, production statistics alone do not necessarily provide as accurate a blueprint of economic importance as the pronouncements of the markets themselves. The Index thus relies on data that is both endogenous to the futures market (liquidity) and exogenous to the futures market (production) in determining relative weightings.

- *Diversification*. A second major goal of the Index is to provide diversified exposure to commodities as an asset class. Disproportionate weightings of any particular commodity or sector increase volatility and negate the concept of a broad-based commodity index. Instead of diversified commodities exposure, the investor is unduly subjected to micro-economic shocks in one commodity or sector. As described further below, diversification rules have been established and are applied annually. Additionally, the Index is re-balanced annually on a price-percentage basis in order to maintain diversified commodities exposure over time.
- *Continuity*. The third goal of the Index is to be responsive to the changing nature of commodity markets in a manner that does not completely reshape the character of the Index from year to year. The Index is intended to provide a stable benchmark so that end-users may be reasonably confident that historical performance data (including such diverse measures as correlation, spot yield, roll yield and volatility) is based on a structure that bears some resemblance to both the current and future composition of the Index.
- *Liquidity*. Another goal of the Index is to provide a highly liquid index. The explicit inclusion of liquidity as a weighting factor helps to ensure that the Index can accommodate substantial investment flows. The liquidity of an index affects transaction costs associated with current investments. It also may affect the reliability of historical price performance data.

These four principles represent goals of the Index and its creators, and there can be no assurance that these goals will be reached by either Dow Jones or AIG-FP.

**The Dow Jones-AIG Commodity Index$^{SM}$ Oversight Committee**

Dow Jones and AIG-FP have established the Dow Jones-AIG Commodity Index$^{SM}$ Oversight Committee to assist them in connection with the operation of the Index. The Dow Jones-AIG Commodity Index$^{SM}$ Oversight Committee includes members of the financial, academic and legal communities selected by AIG-FP and meets annually to consider any changes to be made to the Index for the coming year. The Dow Jones-AIG Commodity Index$^{SM}$ Oversight Committee may also meet at such other times as may be necessary.

As described in more detail below, the Index is reweighted and rebalanced each year in January on a price-percentage basis. The annual weightings for the Index are determined each year in June or July by AIG-FP under the supervision of the Dow Jones-AIG Commodity Index$^{SM}$ Oversight Committee. Following the Dow Jones-AIG Commodity Index$^{SM}$ Oversight Committee's annual meeting in June or July, the annual weightings for the next calendar year are publicly announced. For example, the composition of the Index for 2008 was approved by the Dow Jones-AIG Index Oversight Committee in July of 2007 and published on August 3, 2007. The January 2008 reweighting and rebalancing is based on the following percentages:

**The Dow Jones-AIG Commodity Index$^{SM}$ 2008**
**Commodity Index Percentages**

| Commodity | Weighting |
|---|---|
| Crude Oil | 13.156592% |
| Natural Gas | 12.237084% |
| Soybeans | 7.628541% |
| Aluminum | 7.107971% |
| Gold | 7.396190% |
| Live Cattle | 4.887400% |
| Copper | 7.040516% |
| Corn | 5.663457% |
| Wheat | 4.703406% |
| Lean Hogs | 2.548123% |
| Unleaded Gasoline | 3.783798% |
| Heating Oil | 3.822525% |
| Cotton | 2.479588% |
| Sugar | 3.185145% |
| Coffee | 3.001585% |
| Soybean Oil | 2.811933% |
| Zinc | 3.033016% |
| Nickel | 2.791708% |
| Silver | 2.721423% |

Information concerning the Index, including weightings and composition, may be obtained at the Dow Jones web site (www.djindexes.com). Information contained in the Dow Jones web site is not incorporated by reference herein and should not be considered a part hereof.

**Composition of the Index – Commodities Available for Inclusion in the Index**

A number of commodities have been selected which are believed to be sufficiently significant to the world economy to merit consideration for inclusion in the Index and which are the subject of a qualifying related futures contract. With the exception of several metals contracts (aluminum, lead, tin, nickel and zinc) that trade on the London Metal Exchange ("LME"), each of the potential commodities is the subject of a futures contract that trades on a U.S. exchange.

As of the date hereof, the 23 commodities available for inclusion in the Index were aluminum, cocoa, coffee, copper, corn, cotton, crude oil, gold, heating oil, lead, lean hogs, live cattle, natural gas, nickel, platinum, silver, soybean oil, soybeans, sugar, tin, unleaded gasoline, wheat and zinc.

The 19 Index Commodities for 2008 are as follows: aluminum, coffee, copper, corn, cotton, crude oil, gold, heating oil, lean hogs, live cattle, natural gas, nickel, silver, soybean oil, soybeans, sugar, unleaded gasoline, wheat and zinc.

**Designated Contracts for Each Commodity**

A futures contract known as a Designated Contract is selected for each commodity available for inclusion in the Index. With the exception of several LME contracts, where the Dow Jones-AIG Commodity Index$^{SM}$ Oversight Committee believes that there exists more than one futures contract with sufficient liquidity to be chosen as a Designated Contract for a commodity, the Dow Jones-AIG Commodity Index$^{SM}$ Oversight Committee selects the futures contract that is traded in the United States and denominated in dollars. If more than one such contract exists, the Dow Jones-AIG Commodity Index$^{SM}$ Oversight Committee selects the most actively traded contract. Data concerning each Designated Contract is used to calculate the Index. The termination or replacement of a futures contract on an established exchange occurs infrequently; if a Designated Contract were to be terminated or replaced, a comparable futures contract, if available, would be selected to replace that Designated Contract. The Dow Jones-AIG Commodity Index$^{SM}$ Oversight Committee may, however, terminate, replace or otherwise change a Designated Contract, or make other changes to the Dow Jones-AIG Commodity Index$^{SM}$, pursuant to special meetings. Please see "Risk Factors – AIG-FP may be required to replace an existing futures contract if that contract is terminated or replaced."

The Designated Contracts for 2008 Index Commodities are as follows:

| Commodity | Designated Contract | Exchange | Units | Quote |
|---|---|---|---|---|
| Aluminum | High Grade Primary Aluminum | LME | 25 metric tons | US$/metric ton |
| Coffee | Coffee "C" | ICE* | 37,500 lbs | US¢/pound |
| Copper** | Copper | COMEX*** | 25,000 lbs | US¢/pound |
| Corn | Corn | CBOTˆ | 5,000 bushels | US¢/bushel |
| Cotton | Cotton | NYCE† | 50,000 lbs | US¢/pound |
| Crude Oil | Light, Sweet Crude Oil | NYMEX | 1,000 barrels | US$/barrel |
| Gold | Gold | COMEX | 100 troy oz. | US$/troy oz. |
| Heating Oil | Heating Oil | NYMEX | 42,000 gallons | US¢/gallon |
| Live Cattle | Live Cattle | CMEˆ | 40,000 lbs | US¢/pound |
| Lean Hogs | Lean Hogs | CMEˆ | 40,000 lbs | US¢/pound |
| Natural Gas | Henry Hub Natural Gas | NYMEX | 10,000 mmbtu | US$/mmbtu |
| Nickel | Primary Nickel | LME | 6 metric tons | US$/metric ton |
| Silver | Silver | COMEX | 5,000 troy oz. | US¢/troy oz. |
| Soybeans | Soybeans | CBOTˆ | 5,000 bushels | US¢/bushel |
| Sugar | World Sugar No. 11 | ICE* | 112,000 lbs | US¢/pound |
| Unleaded Gasoline | Reformulated Blendstock for Oxygen Blending†† | NYMEX | 42,000 gal | US¢/gallon |
| Wheat | Wheat | CBOTˆ | 5,000 bushels | US¢/bushel |
| Zinc | Special High Grade Zinc | LME | 25 metric tons | US$/metric ton |
| Soybean Oil | Soybean Oil | CBOTˆ | 60,000 lbs | US¢/pound |

* The NYCE and CSCE are divisions of the New York Board of Trade (NYBOT). Effective January 12, 2007, the New York Board of Trade (NYBOT) was merged with and into, and is now a wholly-owned subsidiary of, the ICE.

** The Index uses the High Grade Copper Contract traded on the COMEX division of the New York Mercantile Exchange for copper contract prices and LME volume data in determining the weighting for the Index.

*** The New York Commodities Exchange ("COMEX") located in New York City.

† The New York Cotton Exchange ("NYCE") located in New York City.

^ Effective July 12, 2007, CBOT Holdings, Inc. was merged with and into Chicago Mercantile Exchange Holdings Inc. Immediately following the merger, the name of the company was changed from "Chicago Mercantile Exchange Holdings Inc." to "CME Group Inc." The CME Group will continue as the unified parent of both the CME and the CBOT, though the CME Group has stated that the CME and the CBOT will continue to have separate rulebooks. As of the completion of the merger there were no changes in CME and CBOT market rules and regulations.

†† Represents a replacement of the New York Harbor Unleaded Gasoline contract. This replacement occurred during the regularly scheduled roll of futures contracts comprising the Dow Jones-AIG Commodity Index[SM] in April 2006.

In addition to the commodities set forth in the above table, cocoa, lead, platinum and tin also are considered annually for inclusion in the Index. In subsequent years, the Index may include cocoa, lead, platinum and tin, or commodities may be removed that were included in previous years.

**Commodity Groups**

For purposes of applying the diversification rules discussed above and below, the commodities available for inclusion in the Index are assigned to "Commodity Groups". The Commodity Groups, and the commodities currently included in each Commodity Group for 2008, are as follows:

| Commodity Group | Commodities |
|---|---|
| Energy | Crude Oil<br>Heating Oil<br>Natural Gas<br>Unleaded Gasoline |
| Precious Metals | Gold<br>Silver |
| Industrial Metals | Aluminum<br>Copper<br>Nickel<br>Zinc |
| Livestock | Lean Hogs<br>Live Cattle |
| Grains | Corn<br>Soybeans<br>Wheat<br>Soybean Oil |
| Softs | Coffee<br>Cotton<br>Sugar |

**Index Breakdown by Commodity Group**

The Commodity Group Breakdown set forth below is based on the weightings and composition of the Index set forth above under the caption "The Dow Jones-AIG Commodity Index$^{SM}$ 2008 Commodity Index Percentages."

| | |
|---|---|
| Energy | 39.5% |
| Precious Metals | 9.3% |
| Industrial Metals | 18.2% |
| Livestock | 7.2% |
| Grains | 16.0% |
| Softs | 7.1% |
| Vegetable Oil | 2.9% |

**Annual Reweightings and Rebalancings of The Dow Jones-AIG Commodity Index$^{SM}$**

The Index is reweighted and rebalanced each year in January on a price-percentage basis. The annual weightings for the Index are determined each year in June by AIG-FP under the supervision of the Dow Jones-AIG Commodity Index$^{SM}$ Oversight Committee, announced in July and implemented the following January.

The relative weightings of the Index Commodities are determined annually according to both liquidity and dollar-adjusted production data in 2/3 and 1/3 shares, respectively. Each June, for each commodity designated for potential inclusion in the Index, liquidity is measured by the Commodity Liquidity Percentage ("CLP") and production by the Commodity Production Percentage ("CPP"). The CLP for each commodity is determined by taking a five-year average of the product of trading volume and the historical dollar value of the Designated Contract for that commodity, and dividing the result by the sum of such products for all commodities which were designated for potential inclusion in the Index. The CPP is determined for each commodity by taking a five-year average of annual world production figures, adjusted by the historical dollar value of the Designated Contract, and dividing the result by the sum of such production figures for all the commodities which were designated for potential inclusion in the Index. The CLP and the CPP are then combined (using a ratio of 2:1) to establish the Commodity Index Percentage ("CIP") for each commodity. This CIP is then adjusted in accordance with certain

diversification rules in order to determine the commodities which will be included in the Index (the "Index Commodities") and their respective percentage weights.

To ensure that no single commodity or commodity sector dominates the Index, the following diversification rules are applied to the annual reweighting and rebalancing of the Index as of January of each year:

- no related group of commodities designated as a "Commodity Group" (*e.g.*, energy, precious metals, livestock or grains) may constitute more than 33% of the Index;
- no single commodity may constitute more than 15% of the Index;
- no single commodity, together with its derivatives (*e.g.*, crude oil, together with heating oil and unleaded gasoline), may constitute more than 25% of the Index; and
- no single commodity included in the Index may constitute less than 2% of the Index.

Following the annual reweighting and rebalancing of the Index in January, the percentage of any Index Commodity or Commodity Group at any time prior to the next reweighting or rebalancing will fluctuate and may exceed or be less than the percentages established in January.

Following application of the diversification rules discussed above, CIPs are incorporated into the Index by calculating the new unit weights for each Index Commodity. Near the beginning of each new calendar year (the "CIM Determination Date"), the CIPs, along with the settlement prices on that date for Designated Contracts included in the Index, are used to determine a Commodity Index Multiplier ("CIM") for each Index Commodity. This CIM is used to achieve the percentage weightings of the Index Commodities, in dollar terms, indicated by their respective CIPs. After the CIMs are calculated, they remain fixed throughout the year. As a result, the observed price percentage of each Index Commodity will float throughout the year, until the CIMs are reset the following year based on new CIPs.

| Name | 2008 Multiplier |
|---|---|
| Natural Gas | 57.15082625 |
| Crude Oil | 5.10532583 |
| Unleaded Gasoline | 56.536350290 |
| Heating Oil | 54.360155330 |
| Live Cattle | 190.253659030 |
| Lean Hogs | 168.465689070 |
| Wheat | 19.180988660 |
| Corn | 44.731043800 |
| Soybeans | 22.478359320 |
| Aluminum | 0.106457810 |
| Copper | 82.543489260 |
| Zinc | 0.044883150 |
| Nickel | 0.003650760 |
| Gold | 0.315970880 |
| Silver | 6.554428580 |
| Sugar | 1031.608740520 |
| Cotton | 132.431569280 |
| Coffee | 84.120443000 |
| Soybean Oil | 204.039942230 |

**Calculations**

The Index is calculated by Dow Jones, in conjunction with AIG-FP, by applying the impact of the changes to the futures prices of commodities included in the Index (based on their relative weightings). Once the CIMs are determined as discussed above, the calculation of the Index is a mathematical process whereby the CIMs for the Index commodities are multiplied by the prices in U.S. dollars for the applicable Designated Contracts. These products are then summed. The percentage change in this sum is then applied to the prior Index level to calculate the new Index level. Dow Jones disseminates the Index level approximately every fifteen (15) seconds (assuming the Index level has changed within such fifteen-second interval) from 8:00 a.m. to 3:00 p.m. (New York time), and publishes the final Index level for each DJ-AIG Business Day at approximately 4:00 p.m. (New York time) on each such day on Bloomberg page DJAIG . Index levels can also be obtained from the official websites of both Dow Jones and AIG-FP and are also published in *The Wall Street Journal*.

**Index Calculation Disruption Events**

From time to time, disruptions can occur in trading futures contracts on various commodity exchanges. The daily calculation of the Index will be adjusted in the event that AIG-FP determines that any of the following index calculation disruption events exists:

- the termination or suspension of, or material limitation or disruption in the trading of any futures contract used in the calculation of the Index on that day;
- the settlement price of any futures contract used in the calculation of the Index reflects the maximum permitted price change from the previous day's settlement price;
- the failure of an exchange to publish official settlement prices for any futures contract used in the calculation of the Index; or
- with respect to any futures contract used in the calculation of the Index that trades on the LME, a business day on which the LME is not open for trading.

## LICENSE AGREEMENT

**"Dow Jones," "AIG®" "Dow Jones-AIG Commodity Index^SM" and "DJ-AIGCI ^SM" are service marks of Dow Jones & Company, Inc. and American International Group, Inc. ("American International Group"), as the case my be, and have been licensed for use for certain purposes by Lehman Brothers. The Notes are not sponsored, endorsed, sold or promoted by Dow Jones, AIG International Inc. ("AIGI"), American International Group, or any of their respective subsidiaries or affiliates, and none of Dow Jones, AIGI, American International Group, or any of their respective subsidiaries or affiliates, makes any representation regarding the advisability of investing in such product(s).**

Dow Jones, AIG-FP and Lehman Brothers Holdings Inc. have entered into a non-exclusive license agreement providing for the license to Lehman Brothers Holdings Inc., and certain of its affiliated or subsidiary companies, in exchange for a fee, of the right to use the Index, which is published by Dow Jones and AIG-FP, in connection with certain products, including the Notes. The Notes are not sponsored, endorsed, sold or promoted by Dow Jones, American International Group, AIG-FP or any of their respective subsidiaries or affiliates. None of Dow Jones, American International Group, AIG-FP or any of their affiliates makes any representation or warranty, express or implied, to the owners of or counterparts to the Notes or any member of the public regarding the advisability of investing in securities or commodities generally or in the Notes particularly. The only relationship of Dow Jones, American International Group, AIG-FP or any of their respective subsidiaries or affiliates to Lehman Brothers Holdings Inc. in connection with the Notes is the licensing of certain trademarks, trade names and service marks and of the Index, which is determined, composed and calculated by Dow Jones in conjunction with AIG-FP without regard to Lehman Brothers Holdings Inc. or the Notes. Dow Jones and AIG-FP have no obligation to take the needs of Lehman Brothers Holdings Inc. or the owners of the Notes into consideration in determining, composing or calculating the Index. None of Dow Jones, American International Group, AIG-FP or any of their respective subsidiaries or affiliates is responsible for or has participated in the determination of the timing of, prices at, or quantities of the Notes to be issued or in the determination or calculation of the equation by which the Notes are to be converted into cash. None of Dow Jones, American International Group, AIG-FP or any of their respective subsidiaries or affiliates shall have any obligation or liability, including without limitation to Notes customers, in connection with the administration, marketing or trading of the Notes. Notwithstanding the foregoing, AIG-FP, American International Group and their respective subsidiaries or affiliates may independently issue and/or sponsor financial products unrelated to the Notes currently being issued by Lehman Brothers Holdings Inc., but which may be similar to and competitive with the Notes. In addition, American International Group, AIG-FP and their respective subsidiaries or affiliates actively trade commodities, commodity indices and commodity futures (including the Index and the Dow Jones-AIG Commodity Index Total Return^SM), as well as swaps, options and derivatives which are linked to the performance of such commodities, commodity indices and commodity futures. It is possible that this trading activity will affect the value of the Index and the Notes.

The information included herein relates only to the Notes and does not relate to the exchange-traded physical commodities underlying any of the Index components. Purchasers of the Notes should not conclude that the inclusion of a futures contract in the Index is any form of investment recommendation of the futures contract or the underlying exchange-traded physical commodity by Dow Jones, American International Group, AIG-FP or any of their respective subsidiaries or affiliates. The information included herein regarding the Index components has been derived solely from publicly available documents. None of Dow Jones, American International Group, AIG-FP or any of their respective subsidiaries or affiliates has made any due diligence inquiries with respect to the Index components in connection with the Notes. None of Dow Jones, American International Group, AIG-FP or any of their respective subsidiaries or affiliates makes any representation that these publicly available documents or any other publicly available information regarding the Index components, including, without limitation, a description of factors that affect the prices of such Index components, are accurate or complete.

**NONE OF DOW JONES, AMERICAN INTERNATIONAL GROUP, AIG-FP OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR AFFILIATES GUARANTEES THE ACCURACY AND/OR THE COMPLETENESS OF THE DOW JONES-AIG COMMODITY INDEX$^{SM}$ OR ANY DATA INCLUDED THEREIN AND NONE OF DOW JONES, AMERICAN INTERNATIONAL GROUP, INC., AIG-FP, AIGI, OR ANY OF THEIR SUBSIDIARIES OR AFFILIATES SHALL HAVE ANY LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS IN THE INDEX OR ITS CALCULATION. NONE OF DOW JONES, AMERICAN INTERNATIONAL GROUP, INC., AIG-FP, AIGI OR ANY OF THEIR SUBSIDIARIES OR AFFILIATES MAKES ANY WARRANTY, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY THE PARTIES TO ANY TRANSACTION INVOLVING THE INDEX OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE INDEX OR ANY DATA INCLUDED THEREIN. NONE OF DOW JONES, AMERICAN INTERNATIONAL GROUP, INC., AIG-FP, AIGI OR ANY OF THEIR SUBSIDIARIES OR AFFILIATES MAKES ANY EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL DOW JONES, AMERICAN INTERNATIONAL GROUP, INC., AIG-FP, AIGI OR ANY OF THEIR SUBSIDIARIES OR AFFILIATES HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES OR LOSSES, EVEN IF NOTIFIED OF THE POSSIBILITY THEREOF. THERE ARE NO THIRD PARTY BENEFICIARIES OF ANY AGREEMENTS OR ARRANGEMENTS BETWEEN DOW JONES, AIG-FP AND AIGI OTHER THAN AMERICAN INTERNATIONAL GROUP INC., AND ITS SUBSIDIARIES AND AFFILIATES.**